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C O N F I D E N T I A L ZAGREB 000552

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SUBJECT: MESIC PLEASED WITH MIDDLE EAST VISIT

REF: ZAGREB 533 (NOTAL)

Classified By: Nicholas M. Hill, Political-Economic Counselor, for reasons 1.5 (B) and (D).

Summary

1. (C) In a meeting on March 27 with the Ambassador arranged to discuss a Croatian proposal to refit a Libyan military vessel (ref), Croatian President Stipe Mesic spent most of his time discussing his recent visit to the Middle East. He said he had a very full schedule of meetings in Damascus, Amman, and Doha. He described a world of difference between a "gloomy" Syria on the one hand and a more vibrant and "happy" Jordan and Qatar on the other. He met with the leaders of all three countries and was optimistic about boosting economic contacts. In Syria, Croatia's national oil company, INA, has made an important discovery in fields east of Damascus. In a one-on-one meeting with President Assad, Mesic urged the Syrian leader to accept the reality of Israel and oppose terrorism. End summary.

Jordan and Qatar Bustling

2. (C) President Mesic briefed the Ambassador March 27 about his recent trip to the Middle East. He said it went well, and that he was optimistic about increased Croatian trade with the three countries that he visited. He was particularly upbeat about his stops in Jordan and Qatar. In Jordan, he met with King Abdullah. It was Mesic's third visit to Amman. The country is "opening up." Mesic described a lively place unlike any other Arab country. Croatia should look at Jordan's experience with free trade zones as a possible model to be adopted back home to spur investment and commerce in Croatia's war affected regions. He was pleased to tell the Ambassador that a Jordanian business delegation would travel to Croatia later this year to look at opportunities. Also, King Abdullah told him that he wants to increase university-level exchanges between the two countries.

3. (C) In Qatar, Mesic met with the Emir. The Croatian president saw a similarly vibrant place. Doha was bustling. Croatian companies were interested in investing in Qatar's cement industry. The Qataris want to promote more exports of natural gas to Europe and are looking to invest in a facility to transship liquefied natural gas (LNG), primarily to Italy, Slovenia, and Croatia. Ploce is one possible location for a facility, but most of the talk now is of making an investment in Krk, an island just off of Croatia's primary port of Rijeka, in the northern Adriatic. According to Igor Dekanic, who in addition to being Mesic's top domestic policy advisor is an oil industry expert, an LNG facility must be on highly stable ground, and Krk is probably the best -- if not only -- site in the Adriatic. Mesic was optimistic about Krk's prospects. He told the Ambassador that the Emir wants to pay a visit to Croatia in early July.

Syria Gloomy

4. (C) Syria was the most problematic stop for Mesic on his swing through the region. The country was "gloomy" and reminded the president of Croatia back in the seventies, statist in orientation, and depressing. Mesic said he met alone with President Assad and -- as he promised he would do when he met the Ambassador prior to the trip -- conveyed USG concerns about the Syrian regime. Assad came across as a "civilized man" who inherited a creaky and repressive state apparatus. The Syrian president seemed to be resolved in his desire to carry out reforms, but it was difficult. Mesic underscored with Assad that the Syrian regime should "recognize reality," including the "reality of Israel." It was an illusion to think otherwise. Mesic said he tried to steer the conversation in this direction, but it was clear that taking such a course "was not easy for Assad." Mesic said the Syrian president needed to be "engaged more" by western interlocutors. Assad will have to "break the regime structures" he inherited from his father. According to Mesic, Assad denied any links to -- or cooperation with -- terrorist organizations.

15. (C) Mesic's more immediate purpose in visiting Syria was to look at the progress of INA, the Croatian national oil company, which has made a major discovery in Syria. Dekanic told us later that INA's investment was modest by western standards, only \$80 million, but there are some 500 Croatians now on the ground in Syria, and this was a big breakthrough

for the Croatian company. Mesic indicated that Assad was ready to open the doors to more business exchanges. Croatia was in the process of opening up an honorary consulate in Damascus. Overall, however, Syria was in a "difficult" economic situation, and opportunities for Croatian companies were not nearly as great as they were elsewhere in the Middle East.

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